

Economic Development Task Force Utah Legislature

Tax Incentives for the Manufacturing Industry Presentation



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Tax Incentives for the Manufacturing Industry



Thank you for this opportunity

I know that much of what I present today you've heard and discussed before – probably more than once.

But this may serve as a refresher of some ideas surrounding tax incentives for Utah Manufacturing

Tax Incentives for the Manufacturing Industry



First - some givens:

- **For more than a decade, national and Utah manufacturing jobs have been lost and transitioned to Low Cost Countries (LCC)**
- **Existing and potential Utah Manufacturers need the assistance of tax incentives to grow and expand their business**
- **There's only so much money, and it has to be spent wisely**
- **True or not true, there's a perception among Utah Manufacturers that incentives lean heavier towards bringing new business into the State as opposed to growing existing business**
- **Basic incentives are 1) EDTIF – post-performance refundable tax credit; 2) IAF – post performance grants for high-paying jobs**

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From: **Utah's Economic Development Plan -**

Page 11 – Objective One:

- **Strengthen and Grow Existing Utah Businesses, both Urban and Rural**

Page 15 – Objective Three:

- **Increase National and International Business**
 - **Increase job creation and capital investment in the State by ensuring that Utah's incentive programs are competitive, sustainable and used selectively**

Tax Incentives for the Manufacturing Industry



When corporations make the decision to expand in, or relocate to Utah – what are the weigh-in factors?

Business Climate

Workforce availability – skilled and professional

Educational structure

Ease of working with the State

Standard of Living

Tax Incentives and Breaks

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Tax Incentives and Breaks

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The incentive counter dynamic –

- **Utah’s private companies (small or large), divisions of national or international corporations, operate in a increasingly competitive global market.**
- **There exists constant pressure to reduce their cost structures to remain competitive – not only this year, but 10 years from now (Not to mention downward pressures from the recession)**
- **Generally the largest single operating cost of business is payroll**

So the question emerges:

Is the IAF 125% incentive a counter or hindrance to the downward cost competitive pressures on manufactures?

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Another potential incentive hindrance to Divisions of out-of-state corporations –

Some divisions that are an operating segment of an out-of-state corporation receive no benefit for the tax rebate due to a corporate accounting requirement that tax refunds must be recorded below the PPAT (EBITA) – and therefore the benefit is taken at the corporate level and not at the local entity.

The desired methodology would be to minimize tax expenses at the time of payment - through credits, exemptions, etc, - rather than to receive the benefit in the form of a rebate – thus the division benefitting directly.

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A few incentive suggestions to consider:

- **Incentives for Utah businesses doing business within Utah as opposed to sending it to a supplier out of state**
- **Incentives for technical resource internships from in-state universities (keeping graduates in state)**
- **Incentives for number of new jobs created regardless of wage structure**
- **Separate (additional) Custom Fit funding for manufacturing training**
- **Incentives for Capital Equipment investments**
- **When GOED is hosting potential incoming business, do they include a visit to the local UCAT ATC's to assess workforce resource availability and training?**
- **Is the application and rebate process "lean"?**